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Consolidated Financial Statements of

ROADKING TRAVEL CENTRES INC.

December 31, 2003 and 2002

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Auditors' Report

To the Shareholders of
Roadking Travel Centres Inc.:

We have audited the consolidated balance sheets of **Roadking Travel Centres Inc.** as at December 31, 2003 and 2002 and the consolidated statements of loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
May 7, 2004

(signed) "DELOITTE & TOUCHE LLP"
Chartered Accountants

ROADKING TRAVEL CENTRES INC.

Consolidated Statements of Loss and Deficit Years Ended December 31, 2003 and 2002

	2003 \$	2002 \$
REVENUE		
Sales and services	19,887,628	20,579,541
EXPENSES		
Operating	16,800,953	16,492,737
General and administrative	1,241,465	1,003,865
Depreciation and amortization	1,480,771	1,472,003
Interest on long-term debt	1,093,548	1,071,659
Interest on debentures	269,654	268,804
Other interest and charges	28,517	19,404
Interest on capital lease obligations	33,096	54,170
	20,948,004	20,382,642
(LOSS) EARNINGS BEFORE OTHER ITEMS	(1,060,376)	196,899
OTHER ITEMS		
Gain on sale of capital assets	245,071	119,294
Gain on sale of scale operations (Note 5)	-	717,160
Write-down of deferred charges (Note 7)	(279,784)	-
	(34,713)	836,454
(LOSS) EARNINGS BEFORE NON-CONTROLLING INTEREST	(1,095,089)	1,033,353
NON-CONTROLLING INTEREST (Note 4)	3,170	(37,776)
(LOSS) EARNINGS BEFORE INCOME TAXES	(1,091,919)	995,577
INCOME TAX (RECOVERY) EXPENSE (Note 15)		
Current	(45,990)	59,937
Future	(121,385)	188,193
	(167,375)	248,130
(LOSS) EARNINGS BEFORE DISCONTINUED OPERATIONS	(924,544)	747,447
LOSS FROM DISCONTINUED OPERATIONS (Note 5)	-	(896,944)
NET LOSS	(924,544)	(149,497)
DEFICIT, BEGINNING OF YEAR	(4,023,771)	(3,874,274)
DEFICIT, END OF YEAR	(4,948,315)	(4,023,771)
LOSS PER SHARE (Note 21)		

ROADKING TRAVEL CENTRES INC.

Consolidated Balance Sheets

December 31, 2003 and 2002

	2003	2002
	\$	\$
ASSETS		
CURRENT		
Cash and short-term deposits	221,017	194,279
Accounts receivable	685,567	642,300
Proceeds receivable on sale of scale operations (Note 5)	-	735,000
Current portion of notes receivable (Note 6)	50,000	91,272
Inventories	432,039	528,275
Prepaid expenses and deposits	45,144	57,319
	1,433,767	2,248,445
Deferred charges (Note 7)	579,680	738,529
Notes receivable (Note 6)	-	148,749
Capital assets (Note 8)	23,515,032	25,004,459
	25,528,479	28,140,182
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	1,593,870	1,694,962
Income taxes payable	12,624	49,966
Due to related company (Note 9)	210,290	50,000
Current portion of obligations under capital leases (Note 10)	57,244	193,500
Current portion of long-term debt (Note 11)	13,635,910	1,010,996
Current portion of debentures payable (Note 12)	1,172,272	659,505
Current portion of preferred shares (Note 13)	362,234	362,234
	17,044,444	4,021,163
Obligations under capital leases (Note 10)	60,829	92,176
Long-term debt (Note 11)	400,000	14,583,302
Debentures payable (Note 12)	3,539,366	3,444,795
Preferred shares, Series B (Note 13)	969,411	1,187,390
Preferred shares, Series C (Note 13)	265,992	362,772
Future income taxes	-	121,385
	22,280,042	23,812,983
NON-CONTROLLING INTEREST (Note 4)	-	92,417
SHAREHOLDERS' EQUITY		
Share capital (Note 13)		
Common shares	7,949,281	7,859,281
Contributed surplus (Note 14)	247,471	399,272
Deficit	(4,948,315)	(4,023,771)
	3,248,437	4,234,782
	25,528,479	28,140,182

APPROVED BY THE BOARD

(signed) Glen Hommy. Director

(signed) Alan Tookey. Director

ROADKING TRAVEL CENTRES INC.

Consolidated Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	2003	2002
	\$	\$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
(Loss) earnings before discontinued operations	(924,544)	747,447
Adjustments for:		
Depreciation and amortization	1,480,771	1,472,003
Gain on sale of capital assets	(245,071)	(119,294)
Gain on sale of scale operations	-	(717,160)
Write-down of deferred charges	279,784	-
Non-cash interest	47,475	55,423
Non-controlling interest	(3,170)	37,776
Future income taxes	(121,385)	188,193
Income taxes on related party transactions	-	(28,846)
Option expense	600	-
	514,460	1,635,542
Changes in non-cash working capital		
Accounts receivable	(65,120)	18,546
Inventories	99,631	18,241
Prepaid expenses and deposits	16,320	3,237
Accounts payable and accrued liabilities	(235,304)	(67,888)
Income taxes payable	(37,342)	(32,733)
Cash flow from continuing operations	292,645	1,574,945
Cash flow from discontinued operations	-	(70,495)
	292,645	1,504,450
FINANCING		
Proceeds from long-term debt	-	300,000
Net advances from related company	160,290	50,000
Repayment of long-term debt and capital lease obligations	(1,835,477)	(1,009,961)
Redemption of preferred shares, Series B	(254,466)	(190,849)
Redemption of preferred shares, Series C	(107,768)	(80,827)
Issuance of debentures	880,000	2,111,746
Repayment of debentures	(272,662)	(2,479,446)
Proceeds on sale of capital assets	2,105,476	963,032
Proceeds from notes receivable	35,782	-
	711,175	(336,305)
INVESTING		
Deferred charges incurred	(346,342)	(420,259)
Cash acquired in Mammoth acquisition	4,867	-
Joint venture interest acquisition	(63,196)	-
Purchase of capital assets	(572,411)	(365,279)
	(977,082)	(785,538)
NET INCREASE IN CASH AND SHORT-TERM DEPOSITS	26,738	382,607
CASH AND SHORT-TERM DEPOSITS, BEGINNING OF YEAR	194,279	(188,328)
CASH AND SHORT-TERM DEPOSITS, END OF YEAR	221,017	194,279

SUPPLEMENTARY INFORMATION (Note 18)

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

1. NATURE OF BUSINESS

Roadking Travel Centres Inc. (the "Company") is incorporated under the Alberta Business Corporations Act and its common shares are traded on the TSX Venture Exchange. The Company's principal business is the ownership and operation of travel facilities in Calgary and Strathcona, Alberta, known as Roadking Travel Centres. The Company has a 100% (2002 - 96.85%) interest in the Calgary facility and a 100% (2002 - 100%) interest in the Strathcona facility (Note 4).

These consolidated financial statements have been prepared on the assumption that the Company is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has experienced losses in both the current and prior years. At December 31, 2003, the Company had a working capital deficiency of \$15,610,677, most of which is attributable to the current portion of long-term debt instruments. The Company also had a debt covenant violation which resulted in the full amount of the term loan being classified as a current liability as discussed in Note 11.

The Company has a positive cash flow from operations in 2003 and 2002 and management is currently negotiating with the debt holders to reorganize the current portion of debentures payable, the preferred shares, Series B and C and certain other loans (Note 11) into long-term debt instruments which will significantly improve the Company's working capital position.

In the long-term, the Company's viability is dependent upon achieving profitable operations and in the short-term, the Company needs to rectify its current working capital deficiency.

In the event that the going concern assumption is not appropriate for these consolidated financial statements, certain adjustments would be necessary to reclassify long-term liabilities and reduce the carrying value of certain assets and liabilities to their net realizable value.

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

2. CHANGE IN ACCOUNTING STANDARD

Stock-based compensation

On January 1, 2003, the Company elected to prospectively adopt the fair value method of accounting for stock options granted subsequent to January 1, 2003 under its stock-based compensation plan as recommended by the Canadian Institute of Chartered Accountants ("CICA"). The new policy requires that the Company recognize compensation expense over the vesting period for options granted to directors, officers, and employees. Compensation expense of \$600 has been recognized in the consolidated statement of loss for the year ended December 31, 2003, with the offset being credited to contributed surplus, which will transfer to share capital as the related options are converted as described in Note 13. Previously, the Company accounted for its stock-based compensation plan based on the intrinsic value of the options at the date of grant and accordingly, did not recognize compensation expense in the consolidated financial statements for stock options granted to directors, officers and employees issued at market value.

The Company's stock based compensation plan and the impact on net loss per share had compensation expense been recognized using the fair value method for options granted prior to 2003 is described in Note 13.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Roadking Travel Centre Strathcona Inc. ("Strathcona"), Wildrose Investments Inc. ("Wildrose") and Mammoth Truckwash Inc. The accounts of Wildrose include its 42.27% proportionate share of the assets, liabilities, revenue and expenses of Roadking Travel Centre Calgary Inc., the operating entity for the benefit of 698002 Alberta Ltd., generally referred to as Roadking Travel Centre Calgary Joint Venture ("Calgary Joint Venture"). These consolidated financial statements also include the Company's 57.73% (2002 - 54.58%) proportionate share of the Calgary Joint Venture.

Cash and cash equivalents

Cash and cash equivalents include deposits with a term to maturity less than 90 days.

Inventories

Inventories are valued at the lower of cost, determined on a weighted average basis, and net realizable value.

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred charges

Corporate development costs are being amortized on a straight-line basis over five years, financing costs are being amortized over the term of the related debt and project development costs will be amortized once commercial operations begin on a new travel centre facility or when the project is determined not to be feasible.

Capital assets

Capital assets are recorded at cost and are depreciated on a straight-line basis as follows:

Land servicing costs	15 years
Buildings	40 years
Furniture, fixtures and signs	5 years
Equipment under capital leases	5 years

Future income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences, which are the differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Stock options

The Company has a stock option plan, which is described in Note 13. The Company follows the fair value method of accounting for stock options granted to directors, officers and employees whereby the weighted average fair value of options granted is recorded as compensation expense in the consolidated financial statements. Compensation expense on stock options granted is recognized and amortized over the vesting period, with the offset being credited to contributed surplus, which will transfer to share capital as the related options are converted. Any consideration paid for shares purchased under this plan is credited to share capital.

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of capital assets used to compute depreciation and the provision for uncollectible accounts receivable. Actual results could differ from those estimates, and the differences could be material.

4. ACQUISITION OF INTEREST IN CALGARY JOINT VENTURE

In the first half of 2003, the Company acquired the remaining 3.15% third party interest in the Calgary Joint Venture for a total cost of \$153,196. This amount includes the issuance of one million common shares of the Company with a deemed value of \$0.10 per share with the balance paid in cash. For accounting purposes, the common shares have been recorded at \$0.09 per share based upon the trading value of the shares during the negotiation period. The non-controlling interest expense for the year represents 3.15% of the operations of the Calgary Joint Venture for the period in 2003 prior to the acquisition.

Effective December 31, 2002, the Company acquired an additional 11.35% interest in the Calgary Joint Venture for a total cost of \$360,000. At December 31, 2003, \$Nil (2002 - \$120,000) of the purchase price is included in accounts payable and accrued liabilities, and \$240,000 (2002 - \$240,000) is included in long-term debt. The non-controlling interest expense for 2002 represents 14.5% of the operations of the Calgary Joint Venture.

5. CHANGES IN OPERATIONS

During 2002, the Company sold its truckwash and scale equipment in the Calgary and Strathcona travel centre facilities, its 50% interest in Royal Truck Lube (Strathcona) Ltd. and closed the general store at the Calgary travel centre.

The truckwash equipment was sold to Mammoth Truckwash Inc. ("Mammoth"), which was owned by a director of the Company. Although the sale was not in the ordinary course of operations and the change in ownership interest was substantive, the sale was recorded at the carrying amount as the exchange amount was not supported by independent evidence. The resulting gain of \$34,837 (net of tax effect of \$1,930 and non-controlling interest of \$6,197) was included in contributed surplus.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

5. CHANGES IN OPERATIONS (Continued)

As part of the sale, the Company entered into twenty-year rental and common area cost sharing agreements with Mammoth for four consecutive five-year terms. In addition, as the lessor of the equipment would not allow the Company to assign the leases to Mammoth, the Company entered into an equipment sublease agreement with Mammoth under terms consistent with the Company's related lease obligation. The amount due under the sublease agreement was recorded as a note receivable (Note 6).

Effective December 31, 2003, the Company acquired all of the issued and outstanding common shares of Mammoth for \$82,803. The purchase price was satisfied by providing a promissory note bearing interest at 10%, repayable in twelve equal blended monthly installments of \$7,272. The acquisition has been accounted for using the purchase method and the results of operations have been included in the consolidated financial statements commencing December 31, 2003. The fair value of the assets acquired and liabilities assumed is as follows:

	\$
Cash	4,867
Capital assets	62,522
Non-cash working capital deficiency	(21,069)
Obligations under capital lease	(58,406)
Loss on repurchase of truckwash	94,889
	<u>82,803</u>

The loss incurred on repurchase of the truckwash has been recorded as a charge against contributed surplus.

Effective January 14, 2004, the Strathcona truckwash assets have been sold to a third party for \$80,000, \$20,000 payable on closing and the balance payable without interest in equal monthly installments over a four year period. A condition of the sale is that the buyer sign a five year lease with Roadking for the space occupied by the truckwash. The Company is currently negotiating the sale of the Calgary truckwash assets to the same purchaser.

The scale equipment was sold to a third party on December 30, 2002. The sale was affected by the Company terminating the remaining capital leases on the scale equipment and entering into a ten year lease agreement with Cat Scale Company. Under the agreement, commencing January 1, 2003, the Company receives monthly rental payments. The Company realized a gain of \$717,160 on the sale of the scale equipment.

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

5. CHANGES IN OPERATIONS (Continued)

During 2002, the Company sold its 50% interest in Royal Truck Lube (Strathcona) Ltd. to Royal Truck Lube Ltd. ("RTL"), a company controlled by a director of the Company in exchange for a note receivable bearing interest at 8% and payable over a three year period (Note 6). Although the sale was not in the ordinary course of operations and the change in ownership interest was substantive, the sale was recorded at the carrying amount as the exchange amount was not supported by independent evidence. The resulting gain of \$86,079 (net of tax effect of \$26,916) was included in contributed surplus.

The Company entered into a rental agreement with RTL for the truck lube operations at each of the travel centres requiring monthly rental payments, plus royalties if gross sales exceeded certain minimum amounts.

Effective October 1, 2003, the Company negotiated a settlement with RTL in respect of the promissory note. The settlement provided for a payment of \$50,000 by RTL and the forgiveness of the remaining unpaid balance of \$95,833. As part of this settlement, the Company acquired all of the assets of RTL located at the Strathcona site.

The settlement resulted in an increase in the Company's capital assets of \$38,321 and a charge to contributed surplus of \$57,512.

The closure of the general store in 2002 and decision to discontinue use of the McCully's name resulted in a write-off of goodwill in the amount of \$776,218. Closure of the general store is reported as a discontinued operation with results as follows:

	2002 \$
Revenue	1,502,081
Direct expenses	(1,608,182)
Depreciation	(76,743)
Goodwill write-off	(776,218)
Effect on non-controlling interest	26,512
Loss before income taxes	(932,550)
Income tax recovery	(35,606)
Loss from discontinued operations	(896,944)

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

6. NOTES RECEIVABLE

The notes receivable arise from the sale in 2002 of the truckwash equipment in Calgary and Strathcona, and the sale of Strathcona's interest in Royal Truck Lube (Strathcona) Ltd. The notes receivable are comprised of the following:

	2003	2002
	\$	\$
Due from Mammoth Truckwash Inc. (Note 5)	-	90,021
Due from Royal Truck Lube (Strathcona) Ltd. (Note 5)	50,000	150,000
	50,000	240,021
Less current portion	50,000	91,272
	-	148,749

7. DEFERRED CHARGES

	2003		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Corporate development costs	109,790	109,790	-
Financing costs	947,428	573,498	373,930
Project development costs	205,750	-	205,750
	1,262,968	683,288	579,680

	2002		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Corporate development costs	109,790	91,834	17,956
Financing costs	947,428	366,046	581,382
Project development costs	139,191	-	139,191
	1,196,409	457,880	738,529

Amortization of \$225,408 (2002 - \$219,208) for these deferred charges has been included in depreciation and amortization.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

Capitalized project development costs totalling \$279,784 related to the proposed Kamloops travel centre have been written off in 2003 as it is now apparent that this project will not proceed.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

8. CAPITAL ASSETS

	2003		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Land	4,038,534	-	4,038,534
Land servicing costs	4,151,444	1,823,671	2,327,773
Buildings	19,819,817	3,172,622	16,647,195
Furniture, fixtures and signs	2,905,146	2,520,187	384,959
Equipment under capital leases	1,193,937	1,077,366	116,571
	32,108,878	8,593,846	23,515,032

	2002		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Land	4,920,481	-	4,920,481
Land servicing costs	4,371,409	1,620,870	2,750,539
Buildings	19,470,295	2,677,252	16,793,043
Furniture, fixtures and signs	2,456,016	2,174,663	281,353
Equipment under capital leases	837,840	578,797	259,043
	32,056,041	7,051,582	25,004,459

Depreciation of \$1,255,363 (2002 - \$1,261,174) for these capital assets has been included in depreciation and amortization.

9. DUE TO RELATED COMPANY

The \$210,290 (2002 - \$50,000) is due to 947541 Alberta Ltd. ("947541") and 630000 Alberta Ltd. ("630000"), bears interest at 10% and is payable on demand. 947541 and 630000 are related as they are owned by a director and officer of the Company. Also, included in long-term debt is a \$35,000 promissory note owing to 947541. All of the Series A, B and C debentures are owing to 947541.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

10. OBLIGATIONS UNDER CAPITAL LEASES

Minimum lease payments under the capital leases are as follows:

	<u>\$</u>
Year ending December 31, 2004	66,781
2005	42,636
2006	11,309
2007	11,140
2008	<u>7,223</u>
Total minimum lease payments	139,089
Less amount representing imputed interest at 15.1% (2002 - 10.2%)	<u>21,016</u>
Balance of obligations	118,073
Less current portion	<u>57,244</u>
	<u><u>60,829</u></u>

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

11. LONG-TERM DEBT

	2003	2002
	\$	\$
Term loan		
bearing interest at the cost of funds rate of the lender (3.25% at December 31, 2003) plus 2.75%, repayable in varying monthly principal and interest instalments (a)	13,044,302	14,590,302
Promissory notes payable:		
bearing interest at 12%, secured by a \$200,000 debenture of the Calgary Joint Venture (b)	200,000	200,000
bearing interest at 10%, repayable on January 26, 2005 plus accrued interest, secured by the Company's interest in the Strathcona restaurant assets with a book value of approximately \$204,000	300,000	300,000
bearing interest at 6%, repayable in two equal instalments of \$97,498 each on December 11, 2002 and December 11, 2003, secured by a mortgage on specific land. The December 11, 2002 instalment was paid in January, 2003 (c)	97,498	194,996
bearing interest at 11%, repayable on June 1, 2004 plus accrued interest, unsecured	35,000	35,000
bearing interest at 12%, repayable on June 1, 2004 plus accrued interest, unsecured	36,307	34,000
non-interest bearing, repayable in two instalments of \$120,000 on December 31, 2003 and December 31, 2004, unsecured (c)	240,000	240,000
bearing interest at 10% repayable in twelve equal blended instalments of \$7,272 commencing February 1, 2004	82,803	-
	14,035,910	15,594,298
Less current portion	13,635,910	1,010,996
	400,000	14,583,302

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

11. LONG-TERM DEBT (Continued)

- a) The term loan is secured by a first floating charge on all the Company's assets, a first charge on all the capital assets of the Calgary and Strathcona facilities and an assignment of rents.

The Company is required to pay principal payments totalling \$872,000 and \$624,000 in each of the next two years, respectively. The remaining balance of \$11,548,302 of the term loan is due on September 15, 2005.

- b) Payment of the promissory note had been deferred for ten years pending the construction of a new travel centre facility in Kamloops, BC. The debt holder has agreed to apply the note to another future site on the same terms.
- c) Payments due in December 2003 of \$223,000 were not made, the Company is currently negotiating with these debt holders to reorganize the timing of the amounts due (see Note 1).

Principal repayments required over the next two years are as follows:

	\$
2004	13,635,910
2005	400,000

At December 31, 2003, the Company was in default of its working capital ratio requirement under the term loan agreement. The Company has received acknowledgement of the violation from the lender and notification that no action will be taken at this time pending:

1. Certain information to be provided by the Company including how and when they will become compliant with the term loan requirements;
2. Continued timely payments under the lending agreement; and
3. Improved financial performance in the first quarter of 2004.

The Company has complied with the first two requirements noted above. However, the Company was still in default of the working capital ratio requirement at March 31, 2004. Therefore, the full amount of the term loan at December 31, 2003 has been included in the current portion of long-term debt.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

12. DEBENTURES PAYABLE

	2003	2002
	\$	\$
6% debentures (a)	1,506,250	1,631,250
6% and 11% debentures (b)		
Series A - 11%	225,000	225,000
Series B - 6%	1,829,388	1,927,050
Series C - 11%	21,000	21,000
	2,075,388	2,173,050
6% debentures (c)	250,000	250,000
8% debenture (d)	-	50,000
10% debentures (e)	704,000	-
10% convertible debentures (e)	176,000	-
	880,000	-
	4,711,638	4,104,300
Less current portion	1,172,272	659,505
	3,539,366	3,444,795

- a) The terms of the debentures include repayment of the principal over five years either by equal quarterly payments of principal plus interest or quarterly interest payments with a lump sum principal repayment at the end of five years commencing on April 1, 2002. The debentures will be fully repaid by January 1, 2007. The debentures bear interest at 6% calculated from January 1, 2002. The debentures are secured by a second mortgage on the Calgary travel centre facility.
- b) On January 16, 2002, the debenture holders passed a resolution that the Trust Indenture be amended to reflect new terms for the Series A, B and C debentures. The Series A and B debentures are secured by a mortgage on the Strathcona travel centre facility. This mortgage is subordinate to the term loan described in Note 11. The Series C debentures were issued for no consideration as an incentive to the debenture holders.

The Series A and C debentures bear interest from January 16, 2002 at 6%, payable quarterly, commencing on April 15, 2002. The principal is repayable in full on June 1, 2004 and all conversion rights and profit participation rights have been removed. Effective March 1, 2003, the interest rate was increased to 11%.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

12. DEBENTURES PAYABLE (Continued)

The Series B debenture is payable to 947541, bears interest from January 16, 2002 at 6% and is repayable in equal quarterly blended payments of principal and interest over five years. Payments commenced on April 15, 2002 and the debenture is to be fully repaid by December 31, 2006. All conversion rights have been removed. At December 31, 2003, the Company is in arrears on payments of principal totalling \$386,843. This amount is included in the current portion of debentures payable and in the 2004 principal repayment.

- c) On August 1, 2002 and November 1, 2002, the debenture holder amended the terms of the debentures. The new terms include principal repayments now due on July 31, 2005 to December 1, 2005 bearing interest at 6% paid annually. The debentures are secured by 1,250,000 common shares of the Company and are convertible into common shares of the Company, at the option of the holder. The debentures are redeemable, at the option of the Company any time before maturity, for the principal amount plus an additional interest payment of 6%.
- d) On August 22, 2002, the debenture holder amended the terms of the debenture and agreed to extend \$50,000 of the principal to be repaid on October 15, 2003 bearing interest at 8% payable on the due date. The debenture is secured by 250,000 common shares of the Company and is convertible into common shares of the Company, at the option of the holder. The debenture was repaid on the due date.
- e) On April 22, 2003, a debenture issue was announced to be issued in units of \$25,000. Each unit consists of a convertible debenture of \$5,000 and a second debenture of \$20,000. Each debenture bears interest at the rate of 10% per annum, and matures three years from date of issue. The convertible debentures are convertible at prices of \$0.10, \$0.11 and \$0.12 per share in the first, second and third year of issue respectively. At December 31, 2003, a total of \$880,000 has been raised. The debentures are secured against the assets of the Company, subordinate to the term loan described in Note 11 and the debentures described in Note 12(a) and 12(b).

Total principal repayments required on all debentures over the next four years are as follows:

	\$
2004	1,172,272
2005	814,859
2006	1,593,257
2007	1,131,250
	<u>4,711,638</u>

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Years Ended December 31, 2003 and 2002

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Years Ended December 31, 2003 and 2002

13. SHARE CAPITAL

Authorized

An unlimited number of common shares

An unlimited number of preferred shares issuable in series

200,000 preferred shares Series A

180,000 preferred shares Series B, fixed cumulative preferential dividend at 6%,
 repayable in quarterly instalments of principal and interest over five years

89,000 preferred shares Series C, fixed cumulative preferential dividend at 6%,
 repayable in quarterly instalments of principal and interest over five years

Issued

Common shares

Balance, December 31, 2002 and 2001

Number of Shares	Amount \$
48,728,945	7,859,281
1,000,000	90,000
49,728,945	7,949,281

Issuance of common shares in exchange for
 acquisition of 1.97% interest in

Calgary Joint Venture

Balance, December 31, 2003

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

13. SHARE CAPITAL (Continued)

	Number of Shares	Debt \$	Contributed Surplus \$
<i>Preferred shares</i>			
Series B			
Balance, December 31, 2001	178,920	1,591,912	197,278
Redeemed	(19,085)	(190,849)	-
Accretion of discount	-	40,793	-
Balance, December 31, 2002	159,835	1,441,856	197,278
Redeemed	(25,447)	(254,466)	-
Accretion of discount	-	36,487	-
Balance, December 31, 2003	134,388	1,223,877	197,278
Series C			
Balance, December 31, 2001	67,356	536,737	2,104
Redeemed	(10,104)	(80,827)	-
Accretion of discount	-	14,630	-
Balance, December 31, 2002	57,252	470,540	2,104
Redeemed	(13,471)	(107,768)	-
Accretion of discount	-	10,988	-
Balance, December 31, 2003	43,781	373,760	2,104
Balance of preferred shares, at December 31, 2003		1,597,637	199,382
Balance of preferred shares, at December 31, 2002		1,912,396	199,382

The maturity value of the preferred shares is \$1,694,121 (2002 - \$2,056,355). The reported amount of the preferred shares has been reduced by \$199,382 ascribed to the conversion feature of the preferred shares. This amount is being amortized, as a component of interest expense, on a straight-line basis over the remaining term of the preferred shares.

On April 8, 2002, the shareholders of the Company approved changes to the terms of the preferred shares, Series B and Series C such that the preferred shares no longer have conversion rights.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

Therefore, in 2002, the equity portion of the preferred shares has been allocated to contributed surplus.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

13. SHARE CAPITAL (Continued)

Included in interest on long-term debt is \$110,414 (2002 - \$186,955) of dividends on the Series B and Series C preferred shares.

Reserved for issue

The Company has 10,010,000 common shares (2002 - 7,250,000) reserved for issue upon conversion of a portion of the 6% and 10% debentures payable and stock options.

Stock option plan

The Company has a stock option plan for the purpose of assisting and encouraging directors, officers and employees of the Company to work towards and participate in the growth and development of the Company by providing incentive options.

	2003		2002	
	Number of Share Options	Weighted Average Exercise Price \$	Number of Share Options	Weighted Average Exercise Price \$
Outstanding, beginning of year	5,750,000	0.10	3,900,000	0.19
Granted	1,500,000	0.10	5,000,000	0.10
Cancelled	-	-	(500,000)	0.18
Expired	(250,000)	0.15	(2,650,000)	0.21
Outstanding, end of year	<u>7,000,000</u>	<u>0.10</u>	<u>5,750,000</u>	<u>0.10</u>

The following table summarizes information about stock options outstanding at December 31, 2003:

Expiry	Number of Options Outstanding	Exercise Price \$	Weighted Average Contractual Life (Years)	Number of Options Exercisable
May 28, 2004	500,000	0.10	0.41	500,000
April 8, 2007	6,500,000	0.10	3.27	2,375,000
	<u>7,000,000</u>			<u>2,875,000</u>

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

13. SHARE CAPITAL (Continued)

As at December 31, 2003, the weighted average grant-date fair value of stock options granted to employees, directors and officers in 2003 was \$600. This has been recognized as compensation expense in the consolidated financial statements. The Black-Scholes option-pricing model was used to estimate fair values of all stock options granted during the year based on the following weighted average information:

i)	risk-free interest rate	2.8%
ii)	expected volatility	68.74%
iii)	expected life	3.3 years
iv)	expected dividends	\$Nil
v)	forfeiture rate	90%

The weighted average grant-date fair value of stock options granted to employees, directors and officers in 2002 was \$60,000. No compensation expense has been recognized in the consolidated financial statements for these stock options. If this expense was recognized, the 2002 net loss would increase to \$209,947 and there would be a \$0.001 increase in basic and diluted loss per share. The fair value of options granted in 2002 was estimated using the Black-Scholes option-pricing model with the same assumptions as noted above except that the risk free interest rate was 4.35%, weight average life was five years and forfeiture rate was Nil.

14. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following amounts:

	<u>\$</u>
Balance, December 31, 2001	-
Change in terms of preferred shares (Note 13)	199,382
Sale of truckwash operations (Note 5)	34,837
Sale of Royal Truck Lube (Strathcona) Ltd. (Note 5)	86,079
Gain on settlement with Trizen Equities Ltd. (Note 17)	78,974
Balance, December 31, 2002	399,272
Stock based compensation expense	600
Repurchase of truckwash (Note 5)	(94,889)
Repurchase of Royal Truck Lube (Strathcona) Ltd. assets (Note 5)	(57,512)
Balance, December 31, 2003	<u>247,471</u>

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Years Ended December 31, 2003 and 2002

15. INCOME TAXES

The provision for income taxes differs from the result, which would be obtained by applying the combined federal and provincial income tax rate to income before income taxes. This difference results from the following items:

	2003	2002
	\$	\$
(Loss) earnings before income taxes	<u>(1,091,919)</u>	<u>995,577</u>
Computed income tax (recovery) provision at statutory rate of 36.75% (2002 - 39.25%)	(401,280)	390,764
Decrease (increase) in income taxes resulting from:		
Change in effective future income tax rates	21,178	33,800
Large corporations tax	18,114	29,439
Non-deductible expenses	8,633	15,007
Permanent differences relating to non-taxable portion of capital gains and eligible capital expenditures	(68,130)	(288,853)
Permanent differences relating to dividends on preferred shares	69,496	73,379
Income tax losses not recognized in the year the benefit arose	146,899	-
Other	37,715	(5,406)
	<u>(167,375)</u>	<u>248,130</u>

The Company has non-capital loss carryforwards available for income tax purposes in the approximate amount of \$1,118,000 (2002 - \$453,000), which may be applied to reduce future taxable income. These losses expire as follows:

	\$
2007	259,000
2008	194,000
2010	665,000
	<u>1,118,000</u>

Due to the loss incurred in 2003, and the requirement for refinancing of certain liabilities, the benefit associated with income tax losses has not been recognized in the consolidated financial statements.

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

16. COMMITMENTS

The Company has commitments for various vehicle operating leases. Minimum lease payments required in each of the next three years to maturity are as follows:

	<u>\$</u>
2004	33,368
2005	26,150
2006	10,091

17. RELATED PARTY TRANSACTIONS

During the year, the Company incurred interest of \$139,371 (2002 - \$130,882) to 947541 and 630000 of which \$125,801 (2002 - \$130,882) is included in interest on debentures and \$13,570 (2002 - \$Nil) is included in interest on long-term debt.

On January 16, 2002, pursuant to a share purchase agreement between Trizen Equities Ltd. ("Trizen") and 947541, Trizen transferred to Roadking Holdings Inc. ("Holdings") \$405,000 of the amount due to Trizen from the Company. The Company then transferred to Holdings all of its rights, titles and interests in the development of travel centres in the United States in exchange for the \$405,000 owing to Holdings from the Company. The remainder of the amount owing to Trizen of \$19,515 was settled by transferring a vehicle leased by the Company to Trizen.

The sale of US rights in 2002 is considered to be a related party transaction as Trizen, is owned by a former director of the Company. As such, the transaction has been recorded at the carrying amount, and the resulting gain of \$78,974 was included in contributed surplus.

Included in accounts receivable and accounts payable and accrued liabilities at December 31, 2002 are \$2,949 and \$37,846, respectively with Mammoth. No such amounts are outstanding at December 31, 2003, as the accounts have been consolidated.

Included in accounts receivable at December 31, 2002 is \$32,475 due from RTL for amounts due under the rental agreement (Note 5). At December 31, 2003, the Company owns all RTL assets.

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>2003</u>	<u>2002</u>
	<u>\$</u>	<u>\$</u>
Cash paid during the year for interest	<u>1,377,340</u>	<u>1,390,947</u>
Cash paid during the year for current income taxes	<u>57,753</u>	<u>66,011</u>

Significant non-cash transactions for the year ended December 31, 2003 include:

- a) Issue of one million shares in respect of acquisition of 1.97% interest in the Calgary Joint Venture.
- b) Capital assets acquired under capital leases amounted to \$26,683.

Significant non-cash transactions for the year ended December 31, 2002 include:

- a) The sale of US rights to Trizen (Note 17).
- b) Capital assets acquired under capital leases amounted to \$32,608.

Notes to the Financial Statements

Years Ended December 31, 2003 and 2002

19. SEGMENTED INFORMATION

Prior to the second quarter of 2003, the Company reported its operating activities through seven segments that offer different products and services. Effective April 1, 2003, the reported segments were changed and now comprise two geographic segments. The change in reporting segments is intended to more accurately reflect the way the Company operates and manages its business, on a geographical basis rather than on a functional basis. The primary business segments are the Calgary Travel Centre and the Strathcona Travel Centre.

Year Ended December 31, 2003 (\$000's)					
	Calgary Centre \$	Strathcona Centre \$	Corporate \$	Intersegment Eliminations \$	Total \$
REVENUE	8,613	11,465	-	(190)	19,888
EXPENSES					
Operating	7,250	9,741	-	(190)	16,801
General and administrative	195	182	864	-	1,241
Depreciation and amortization	392	913	176	-	1,481
Interest	585	609	231	-	1,425
Corporate expense allocation	435	466	(901)	-	-
Gain on sale of capital assets	(242)	(3)	-	-	(245)
Write-down of deferred charges	-	-	280	-	280
Non-controlling interest	-	-	(3)	-	(3)
LOSS BEFORE INCOME TAXES	(2)	(443)	(647)	-	(1,092)
Total assets	10,627	14,227	674	-	25,528
Capital expenditures	477	213	22	-	712

Notes to the Financial Statements
Years Ended December 31, 2003 and 2002

19. SEGMENTED INFORMATION (Continued)

	Year Ended December 31, 2002 (\$000's)				
	Calgary Centre \$	Strathcona Centre \$	Corporate \$	Intersegment Eliminations \$	Total \$
REVENUE	8,972	11,942	-	(334)	20,580
EXPENSES					
Operating	7,216	9,611	-	(334)	16,493
General and administrative	138	114	752	-	1,004
Depreciation and amortization	382	922	168	-	1,472
Interest	600	603	211	-	1,414
Corporate expense allocation	442	457	(899)	-	-
Gain on sale of capital assets	(221)	102	-	-	(119)
Gain on sale of scale operations	(558)	(159)	-	-	(717)
Non-controlling interest	-	-	38	-	38
EARNINGS (LOSS) BEFORE INCOME TAXES	973	292	(270)	-	995
Total assets	11,940	15,485	715	-	28,140
Capital expenditures	106	283	1	-	390

20. FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments recognized on the consolidated balance sheets include cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities and income taxes payable. The fair values of these financial instruments approximate their carrying amounts due to the short-term nature of these instruments. Financial instruments also include due to related company, obligations under capital leases, long-term debt, debentures payable and preferred shares, Series B and C. In management's opinion, the fair values of these financial instruments approximate their carrying amounts as the Company would only be able to refinance these obligations under similar terms and conditions as currently exist.

Interest rate risk

The Company is exposed to interest rate risk on debt instruments to the extent of changes in the prime interest rate and the cost of funds rate of the lender for the term loan described in Note 11.

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20. FINANCIAL INSTRUMENTS (Continued)

Credit risk

The Company is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations. However, the Company has a large number of customers, which minimizes concentration of credit risk.

21. PER SHARE AMOUNT

Loss per share has been calculated using the weighted average number of common shares outstanding during the year of 49,254,972 (2002 - 48,728,945).

	2003	2002
	Number of Shares	Number of Shares
Basic weighted average shares outstanding	49,254,972	48,728,945
Effect of dilutive securities		
Debentures	3,010,000	1,500,000
Diluted weighted average shares outstanding	52,264,972	50,228,945

The effect of stock options has not been included in diluted weighted average shares outstanding as the stock options are out of the money.

	2003	2002
	\$	\$
Basic and diluted (loss) earnings per share		
From continuing operations	(0.019)	0.015
From discontinued operations	-	(0.018)
Net loss	(0.019)	(0.003)

22. GUARANTEE

Effective December 9, 2003, the Company has entered into guarantee on behalf of Robin's RK West Ltd. ("Robins"), an entity in which the Company will purchase an investment. Robins has purchased the Western Canadian franchise rights to the Robins Donuts and the 241 Pizza brands for a twenty year period. The total cost of the franchise rights of \$492,500 to Robins is payable

Notes to the Financial Statements
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over 35 months and has been guaranteed by the Company. As of December 31, 2003, Robins has not had significant operations.

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23. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the presentation adopted in the current year.

Notes to the Financial Statements
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The accompanying financial statements were prepared on the basis of the accounting principles and practices generally accepted in Canada. The financial statements are presented in Canadian dollars.